

Financial Management Circular

#2010-1

Effective Date

March 25, 2010

General Subject

Offsets by the U.S. Treasury

Specific Subject

Process for Managing the Impact of U.S. Treasury Offsets Caused by Medicare Disputes

Authority

IC 4-12-1

Application

This Circular applies to all instrumentalities (hereinafter referred to as "State agencies") of the Executive Branch, including all bodies corporate and politic, whose employee benefits are administered by the State Personnel Department. This circular does not apply to school corporations.

Section 1: Background – An issue arises with the Centers for Medicare & Medicaid Services (CMS) when a State employee or a covered dependent is concurrently covered by Medicare and a State employee health plan. CMS identifies claims where Medicare paid primary, but contends Medicare should have paid secondary to the State employee health plan. CMS sends a *Demand Letter* identifying the claim(s) and the amount due. In most cases, these *Demand Letters* are sent to the respective State agencies, not to the State Personnel Department (SPD). If this letter is forwarded to SPD, SPD then distributes the claim to the appropriate health insurance contractor, who either adjudicates the claim and makes a payment to CMS or sends a letter disputing the debt's validity.

If the dispute is not resolved within a period of time, CMS sends a *Notice of Intent to Refer* to the State indicating that the debt is being referred to the US Department of Treasury for collection. This may be received by any State agency.

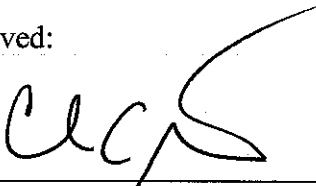
The US Department of Treasury then sends a *10 Day Notice* to the State, which also might be received by any State agency. This notice indicates that if the issue is not resolved within 10 days, the US Department of Treasury will collect the debt by reducing the next available federal payment to the State. Once this occurs, the US Department of Treasury sends an *Offset Notice* explaining that an offset of federal funds has occurred to a State agency's grants.

Section 2: Purpose – To implement a uniform process for tracking CMS/Treasury offsets and reimbursing adversely impacted State agencies. Federal receivables will be recorded in the State's health insurance reserve fund for an amount equal to the offset following receipt of appropriate documentation.

Section 3: Process – If any State agency receives a *Demand Letter*, *Notice of Intent to Refer*, *10 Day Notice*, or *Offset Notice*, it is the responsibility of that agency to forward these documents to SPD's Benefits Division. Furthermore, it is the responsibility of the State agency that has been adversely impacted by a CMS/Treasury offset to adhere to the following:

1. The impacted State agency shall submit a *Request for Recovery of US Treasury/CMS Offset* form to SPD's Benefits Division and include a copy of the impacted Report of Collection (ROC). If SPD is unable to match the *Request* to an *Offset Notice*, then the requesting State agency will be required to contact the US Department of Treasury to obtain a copy. Contact the US Department of Treasury, Financial Management Service at 1-800-304-3107.
2. Once the request has been matched to an offset, SPD will verify that the offset was due to a Medicare Secondary Payer claim. All non-CMS related offsets will be returned to the agency.
3. SPD will forward all documentation to the Treasurer of State for confirmation of the claimed offset.
4. Upon receipt of confirmation, SPD shall enter a "zero dollar deposit" that includes a debit (receivable) to the State's health insurance reserve fund for the amount equal to the offset and a revenue credit to the federal fund of the impacted state agency using the information provided in the *Request for Recovery of US Treasury/CMS Offset* form.
5. SPD shall maintain records of the offsets, noting the amounts, impacted state agency, federal granting agency, associated medical claims, and the corresponding receivables.
6. An agency that receives any form of reimbursement from the federal government related to this offset program (typically a check) shall notify and forward that reimbursement to SPD. Upon receipt of federal refunds, SPD will make an accounting entry to reduce the receivable when the check from the federal government is deposited.

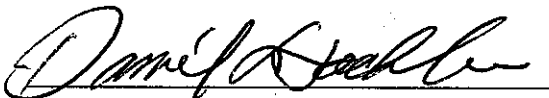
Approved:



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4-16-10

Date



Daniel L. Hackler
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4-15-10

Date